



- **ENGLISH TRANSLATION** -

Report on the First Half Year 2006

August 2, 2006

design hotels AG Increases Revenue by 31 Percent in the first Half Year

Berlin –design hotels AG (Regulated Market, Munich: LBA; ISIN: DE0005141006), integrated provider of marketing and positioning services for individually managed hotels and small hotel groups in the New Luxury Segment, publishes the numbers for the first half year of the business year. Again, design hotels AG were able to significantly improve all relevant key performance indicators.

The most important key performance indicators for the design hotels Group (as per June 30, 2006):

In the first half year, **revenues** increased by 31 percent to 3.02m Euro (previous year: 2.31m Euro); in the 2nd quarter, revenues improved by 25 percent to 1.58m Euro (previous year: 1.26m Euro). All three segments, annual membership fees, commissions, and marketing products contributed to this increase.

The **gross profit margin** was at 68 percent (previous year: 74 percent) in the first half year.

Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) reached approx. 209,000 Euro in the first half year which shows a considerable enhancement compared to the amount of 40,000 Euro in the previous year. The **EBITDA margin** was at 6.9 percent. In the second quarter, EBITDA increased by 59 percent to 129,000 Euro (previous year: 81,000 Euro) and reached 8.2 percent.

The **net profit** reached 178,000 Euro (previous year: 1,000 Euro) in the first half year; in the second quarter, after-tax earnings amounted to 114,000 Euro (previous year: 75,000 Euro).

The **profit per share** amounted to 0.02 Euro (previous year: 0.00 Euro) in the first half year; in the second quarter, the profit per share amounted to 0.01 Euro (previous year: 0.01 Euro).

Taking into consideration the securities assets, the **liquid funds** of the company amounted to 1.1m Euro as per June 30, 2006, compared to 1.2m Euro as per December 31, 2005. This decline in liquid funds can be ascribed to the reorganisation of the commission invoicing procedure. The company has no liabilities to banks.

Additional Notes:

Claus Sendlinger, CEO of design hotels AG, gives the following comments: “The mid-year results show that the company is on the right path for growth after the successful turnaround in 2005. We were able to improve the numbers quarter by quarter and see good potential to continue this development over the next months. Additional human resources in the field of sales will help to further increase revenues with new and existing clients, and also increase revenue per staff member.”

Highlights and detailed key performance indicators in the 1st half year:

As per June 30, 2006, the **number of member hotels** increased from 144 hotels at the end of the previous business year to 148 properties. Ten additional hotels are expected to join the brand in the second half of the year.

In the first half year, the **number of bookings** could be increased by 33 percent and had a value of 26m Euro; the percentage of room nights also increased by 33 percent.

In the first half year, the total **operating expenses** (staff, marketing, distribution and other administrative expenses) amounted to 1.83m Euro, which shows a 14 percent increase compared to the 1.6m Euro in the same period in the previous year.

The average **number of employees** increased to 38 in the first half year. At the same time revenue per staff member increased to 80,000 Euro (previous year: 68,000 Euro) in the same period.

The 2006 edition of the **design hotels™ Yearbook**, which was published in January, is already sold out. Therefore, it was decided to increase the next edition to 20,000 copies.

The **annual shareholder meeting** on June 20 resolved on an extension of the supervisory board and a change in the chairmanship. Dr. Rainer Goetz, Dr. Holger Peres, Carsten Rath as well as Michael Struck were appointed as new supervisory board members. The supervisory board was extended from three to six members. Dr. Holger Peres, attorney-at-law and partner in the Munich-based international law firm Beiten Burkhardt took over the position as Chairman from Manfred Schoenleben, who had resigned after seven years in the supervisory board of the company.

Outlook:

The opening of a representation office in Singapore in the first half year to supplement the already existing offices in Bali and Tokyo will strengthen the company's presence in the Asian growth market and increase customer loyalty in the region. Currently, the company evaluates the opening of additional representative offices in Asia Pacific and South America. Currently, design hotels have seven offices around the world.

Furthermore, the company evaluates the extension of consulting activities to hotel operators during the development phase of new projects. In the first half year, 95 hotels applied for membership in design hotels™. Less than 20 percent of the requests could be considered for membership. As the majority of applications are submitted already in the development phase of a hotel project, the company sees a need for specialised consulting services, which can be perfectly met by the core competencies of design hotels AG.

The goal for the entire year is to further improve the financial results and to achieve a two-digit growth in revenues.

Profit and Loss Statement
(unaudited)

		Total as per June 30		2 nd Quarter		1 st Quarter	
		2006	2005	2006	2005	2006	2005
Revenues							
Annual Membership Fees	TEuro	764	665	377	336	387	329
Commissions	TEuro	1.669	1.254	904	689	765	565
Marketing Products/Consulting	TEuro	588	389	300	238	288	151
Others	TEuro	0	0	0	0	0	0
	TEuro	3.021	2.308	1.581	1.263	1.440	1.045
Cost of Sales	TEuro	982	666	466	332	516	334
Gross Profit	TEuro	2.039	1.642	1.115	931	924	711
Staff Expenses	TEuro	1.202	1.051	592	542	610	509
Selling Expenses	TEuro	263	202	150	127	113	75
Administrative Expenses	TEuro	365	349	244	181	121	168
EBITDA	TEuro	209	40	129	81	80	-41
EBIT	TEuro	177	4	113	63	64	-59
EBT	TEuro	178	1	114	75	64	-74
After-tax Profit	TEuro	178	1	114	75	64	-74
Average Number of Staff		38	34	38	34	38	34
Revenue per Staff Member	TEuro	80	68	42	37	38	31

Group-Cash Flow Statement
(unaudited)

		Total as per June 30		2 nd Quarter	
		2006	2005	2006	2005
EBITDA from Profit and Loss Statement	TEuro	209	40	130	78
Cash Flow From Investing Activities	TEuro	-15	-18	-1	-12
Balance Trade Payables vs. Trade Receivables	TEuro	-235	60	-277	-100
Changes in the Securities Portfolio	TEuro	-56	0	-67	0
= Change of Liquid Funds	TEuro	-97	82	-215	-34
= Liquid Funds at the Beginning of the Period	TEuro	1.198	958	1.316	1.074
= Liquid Funds at the End of the Period	TEuro	1.101	1.040	1.101	1.040
Bonds and Guarantees	TEuro	70	75	70	75
= Available Liquid Funds	TEuro	1.031	965	1.031	965

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design hotels AG (formerly: lebensart global networks AG) is an integrated provider of communication and positioning services and acts as a consultant for individually managed hotels and small hotel groups. The service range of design hotels begins with the concept for a hotel. Clients of design hotels AG can choose from a modular service portfolio. With the brand design hotels™ the company currently represents and markets a unique collection of over 140 individual hotels in more than 40 countries.

Through its marketing and communication activities design hotels AG forms the connection between the member hotel and a global clientele looking for self-determination and individuality.

www.designhotels.com, ISIN: DE0005141006, Munich Stock Exchange (Regulated Market)